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March 14, 2006

AGENDA ITEM 5

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Partnership for Change Update
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information only
- IV. ANALYSIS:**

Background

The CalPERS Board of Administration approved the “Partnership for Change: Promoting Value in Hospital Care” initiative in February 2005. The Partnership for Change has the following objectives:

- Promote a competitive and functioning healthcare marketplace
- Establish objective efficiency and quality metrics to differentiate value among hospitals
- Create performance transparency in hospital costs and quality for purchasers and consumers
- Improve stability and predictability of hospital reimbursements
- Eliminate anti-competitive practices by hospitals

This is the fourth progress report to the Board on the Partnership for Change. We will provide an update on two parts of the Partnership for Change: the Hospital Value Initiative and the California Hospital Assessment and Reporting Taskforce (CHART).

Hospital Value Initiative (HVI)

Loren Suter, CalPERS Senior Strategic Advisor, is a member of the HVI Technical Working Group. Since our last update, HVI Technical Working Group members have:

- Developed draft metrics to address cost, resource use, efficiency, and appropriateness of care,
- Begun to develop data specifications and a detailed methodology for data collection and analysis,

- Secured a legal analysis of the antitrust issues related to reporting,
- Spoken with hospital industry leaders to assess hospital response and support,
- Held or scheduled three separate meetings to present the HVI to the California Hospital Association, a group of hospital CEOs, and hospital quality measurement staff to obtain input on measures and methodology,
- Maintained support of all originally participating health plans and invited Aetna and Cigna health plans to participate, and
- Solicited input from the health plan participants on the Request for Proposal for the HVI Data Aggregation and Analysis Vendor and the HVI Project Timeline.

The next steps will be:

- March: Incorporate stakeholder feedback into plan,
- May: Select vendor to serve as independent data aggregator and analyst,
- May/June: Use technical working group to finalize methods and develop data specifications,
- July: Health plans begin data submissions, and
- Year End: Provide preliminary results to stakeholders.

Hospital Quality Measurement: California Hospital Assessment and Reporting Taskforce (CHART)

Researchers with the University of California, San Francisco, supported by the California Healthcare Foundation, are leading the CHART initiative to collect and publicly report hospital quality measures. CHART includes representatives of all relevant stakeholders including purchasers, health plans, hospitals, and consumers. Hospitals voluntarily agree to participate in the CHART data collection and reporting process.

Publicly reporting hospital quality measures will stimulate improved quality and efficiency of hospital care, and will provide consumers and purchasers the tools they need to identify the highest value hospital providers.

Loren Suter is a member of the CHART Steering Committee, co-chairs the Budget Committee, and is a member of the Reporting and Marketing Advisory Group.

Since our last update, CHART Steering Committee members contacted executives in hospitals with over 75 beds who had decided not to participate, and nine of the 35 hospitals that had decided not to participate decided to do so. As of February 24, 2006, 227 hospitals representing 80 percent of the hospital beds in California are participating in the CHART project. Unfortunately, UC Davis (384 beds), UC San Diego (290 beds), and the five Los Angeles County hospitals (1315 beds) are still declining to participate.

CHART Steering Committee members have agreed on the quality measures. Data collection for the clinical quality measures and patient experience survey is in progress. CHART will report the surgical infection prevention measures in January 2007, to allow a majority of hospitals time to collect the measure. CHART is planning to publicly release the other measures in September of 2006.

V. STRATEGIC PLAN:

This item supports Health Goal XII: Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost.

VI. RESULTS/COSTS:

Staff is implementing the Board's Partnership for Change to reduce healthcare costs, ensure a high value hospital network for our members, and improve the overall quality and efficiency of care provided by network hospitals.

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